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OVERVIEW

This review, my last as chairman, describes a year of considerable development and transformational change for Imperial.

Amid turbulent global and local conditions your group registered progress in relation to its refocused strategic objectives and delivered a pleasing financial performance under the circumstances. The new insights and influences brought to bear by the direction of a changing board and the leadership of the CEO in his first full financial year at the helm, underpinned the progress made.

Leadership has been successful in evolving the group's business model and clarifying the group and divisional strategies to deliver capability-based growth and focused value creation for its stakeholders. The redefinition of the group's business model has clarified Imperial's parenting role, with its key interventions aimed at:

- > Shaping the group's portfolio to achieve focused growth

- > Raising, allocating and controlling capital for value accretion
- > Ensuring strategic clarity at subsidiary level
- > Developing executive capability for performance and sustainability.

The group has also continued to advance its strategic objectives to grow non-vehicle and foreign business. The first objective is serving to decouple the group's performance from the impact of rand weakness on the Vehicle Import, Distribution and Dealerships division, and the second to counter the limited growth opportunities in South Africa where Imperial has high market shares in logistics and vehicles.

REVIEW OF THE YEAR

Despite signs of recovery in the second half of calendar 2014, global economic growth expectations for 2015 declined as developed markets recovered at a slower pace than expected, China's growth slowed and developing markets faced two transitions: lower commodity prices that punished exporters; and US dollar strength (in anticipation of tightening monetary conditions) that exerted pressure on capital inflows and currencies.

South Africa was a victim of these developments and although the economy continued to grow, it was at a very low rate. Average GDP growth during the year was about 1,8%, and regrettably, the downward trend is expected to continue. The period was again characterised by higher unemployment, a volatile exchange rate (the rand depreciated 10,3% against the US dollar), a downgrade of sovereign ratings, lower commodity prices and low export growth. Fragile consumer and business confidence, and pervasive electricity shortages exacerbated the generally tough business environment.

South Africa's policy responses to the changing global and local economic environment have focused more on short-term solutions rather than the structural changes required to make the economy more sustainable. In such a climate, more than ever, business, government and labour need to work together to find workable and sustainable solutions to changing the country's growth and development trajectory, but there has been limited evidence of this. Instead, adversarial relationships between employers and organised labour have prevailed. Policy uncertainty and a deficit of trust between government and business continue to manifest in depressed investor confidence.

Imperial Holdings will continue to interact at all leadership levels to contribute to changing this environment. Our membership and active participation in business and industry organisations creates many opportunities for dialogue with government and politicians at the highest level. In these forums, our approach is to exchange information and ideas that might contribute to coherence around the objectives of the National Development Plan and a better understanding of our national obligations.

In the rest of Africa increasing fiscal and monetary stability in certain of our markets is starting to improve economic performance. Wealth creation is resulting in a steady growth of the middle classes, with the associated increase in urbanisation and demand for goods and services. This notwithstanding, the impact of the global downturn, lower oil prices and increasing security instability in some areas will have a negative impact on the growth potential in these markets in the short to medium term.

The sluggish economic recovery in the Eurozone, specifically in Germany, continued to hamper the group's businesses in the region.

In this very challenging environment, Imperial's performance for the year was marginally positive with a 1% growth in operating profit, and headline earnings per share flat at 1 624 cents. This performance gives the board confidence that the strategic direction of the group, and the progress made over the year to enhance its longer-term prospects and reputation, will continue to stand the group in good stead.

The balance that is being achieved within the group's portfolio of businesses, provided by the mix of activities across logistics, vehicles and financial services, and in different geographies, is effectively diversifying the group's risk and supporting its ability to continue delivering focused growth and value creation for stakeholders.

GOVERNANCE AND SUSTAINABILITY

The markets in which we operate have become less predictable, necessitating that we continually assess the way we balance risk and opportunity. This is an essential function of the group's leadership. The appropriateness of the skills and experience available to direct the company's activities must therefore be continually assessed. As a result of the self-assessment undertaken during the year, we used the opportunity of retiring directors to bolster the financial and

investment skills on the board. In the process we were able to improve on the number of independent non-executive directors, as well as the racial profile of the board.

Our efforts to develop our people to meet both the skills-mix requirement in the business, and the transformation imperatives in our South African operations, proceeded with great impetus. Under the leadership of the CEO, with the support of a dedicated executive team, new human capital development initiatives were implemented. Support for these initiatives and monitoring of progress has taken place under the auspices of the board's social, ethics and sustainability committee.

Enhancing Imperial's ability to make a positive impact on society through our business activities and strengthening the group's reputation as an active corporate citizen is an important aspect of the group's strategy. The group has continued to focus on reducing its environmental impact, with initiatives in place to increase fuel efficiency and reduce emissions in our businesses, specifically in the logistics division where environmental impact is a material risk. More broadly, numerous initiatives focused on reducing electricity and water consumption, and managing waste responsibly, are ongoing. Due to the scale of our business and the numerous facilities we manage, this is an important way of reducing our collective impact on the environment.

From a social development perspective, the group is active in several key sectors, with the most noteworthy outlined here. In education, the Imperial and Ukhamba Community Development Trust works to improve literacy and numeracy outcomes at Gauteng schools, touching the lives of some 20 000 learners. In road safety, the group has implemented a number of national road safety initiatives in partnership with national and provincial government. To date over 250 000 children have received road safety training in our scholar patrol initiative. In healthcare, through the Unjani Clinics which are operated by the Africa Logistics division, we provide affordable primary healthcare services to communities through a low-cost, sustainable model which services over 32 000 patients a year and creates community employment. In the 2015 financial year, the group spent a total of R27 million (up from R17 million the year before) on its corporate social investment initiatives.

Ultimately, the group's reputation and legitimacy is premised on its compliance with the letter and spirit of the laws, standards

and codes that are applicable to it as a multinational group. We have a legal compliance programme designed to increase awareness of, and enhance compliance with, applicable legislation. Selected specialist areas are centralised where the compliance risk is high. In the past year, the group has also enhanced the capability of its legal and compliance units to ensure that compliance risk is tightly managed and the implications of emerging legislation are properly understood.

BOARD CHANGES

During the financial year Messrs Hubert Brody, Gerhard Riemann, Tak Hiemstra and Schalk Engelbrecht resigned as non-executive directors as did Mr Mike Leeming subsequent to year end. Together these gentlemen rendered 70 years of invaluable service during some challenging and rewarding periods of Imperial's history. Our gratitude accompanies best wishes for their future endeavours.

Messrs Peter Cooper and Graham Dempster were appointed as directors during the financial year as were Messrs Moses Kgosana and Suresh Kana subsequent to the year end. I welcome the new members and Suresh Kana as my successor, in the knowledge that their experience and expertise will enrich Imperial's deliberations.

APPRECIATION

As I conclude my seven-year tenure as chairman of your group I wish to express my appreciation to my fellow directors for the support they have given me over the years. The board as a whole has provided excellent leadership to the company which has seen it grow and diversify its portfolio of businesses in selected markets in the rest of Africa, Europe and South America. I believe the strategic foundation has been laid for Imperial to continue to strengthen its leadership in mobility in its chosen sectors and geographies.

Finally, I leave Imperial feeling confident that under the direction of dynamic non-executive directors and the leadership of its CEO, Mark Lamberti and a superlative executive team, new heights can and will be reached.

17 September 2015

 Detailed information on the group's sustainability initiatives, including a review by the chairman of the social, ethics and sustainability committee, is provided in the Sustainable Development Report online.